

Road Gap

The following tables work to solve for the road gap. They use the city's road numbers that were handed out in a prior meeting. That spreadsheet showed a total expenditure for roads, including maintenance and repair, at 850 million dollars over the next 12 years (see table A).

The reduction in that 850 million dollar estimate comes from a 2/21/2003 city spreadsheet that indicates cost savings of 149,221,000 over the next 12 years¹.

If you take the cost savings (some of which are only cost deferrals) you come up with an anticipated cost to operate and build out the road system at 700 million dollars over the next twelve years.

Then if you assume that Wheel Taxes can be bonded and the State Roads funds are a source of bonding you come up with a total bondable source of revenue in excess of 20 million dollars. This is one way to come up with the amount that can be bonded. But looked at another way is to take out "Arterial & Residential Rehabilitation and Street Operations and Maintenance" funds and assume that these items can not be paid for with bonds, then you need to look at other revenue item (such as the RTSD the TMT and other items) which amount to 8 million annually (these are not bondable sources) which leave roughly ten million dollars available for bonding (see table C).

The bonding capacity is further reduced to meet a debt service requirement of 1.5. This according to a presentation by Lauren Wismer does not appear to be a requirement of bonds issued as "Highway Allocation Bonds" nor does it appear to be a requirement of bonds that

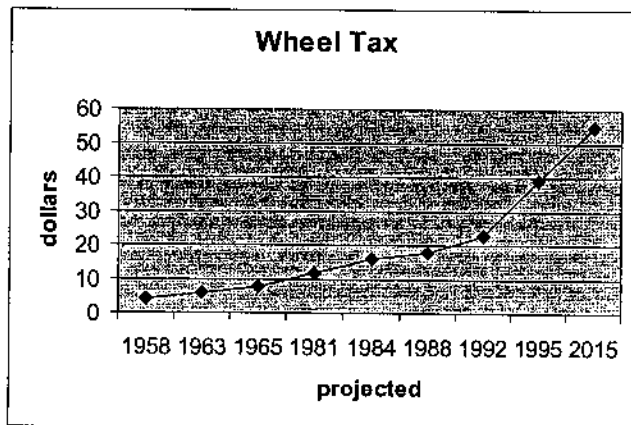
are based on "Wheel Tax" revenue but prudence in accounting suggests that some coverage above 1:1 would be a good idea.

The current gap (assuming the 700 million dollar cost estimate for the road build out and the 500 million dollar net revenue (shown in table B) is 200 million dollars. The table on the next couple of pages show the city's projected revenue over the next twelve years but added to these revenue numbers are the addition of debt based on the aforementioned debt service number, the introduction of an fuel occupation tax, and an increase in wheel taxes. Below are the assumptions in my tables.

Population growth	1.50%
State road funds rate	2.95%
Auto growth rate	2.00%
Wheel tax rate increase	3.00%
Street operation and maintenance increase	2.20%
Arterial / Residential Rehab increase	2.20%
Gas Tax Rev Increase	1.50%
(PB) Funds	0.00%
(PC) Funds	0.00%
(TMT) Funds	0.00%
(RTSD) Funds	0.00%
STATE 80% MATCH (Sun Valley Proj.)	0.00%

The rate increases in Wheel Tax assumes that they reach a top of \$55 in twelve years. The fuel occupation tax assumes that two million in net new revenue can be achieved by charging two cents per gallon in gasoline.

¹ See city file j:\files\sierdo\lotus\orgcat5vsrevcat5 b.123



The assumption in the charts below also use city assumptions regarding the number new cars that are added each year (2%) the increase in the State Fuel tax revenue (2.95%) the annual increase in population (1.50%) and the increase in the cost of Arterial & Residential Rehabilitation and Street Operations and Maintenance (2.20%).

With these assumptions in place the revenue stream plus bonding creates 497 million dollars of cash after paying Arterial & Residential Rehabilitation and Street Operations and Maintenance plus debt service.

As was said earlier the cost estimate over the next twelve years is 700 million dollars. Included in that figure are costs for Arterial & Residential Rehabilitation and Street Operations and Maintenance which amount to 177 million dollars over 12 years. The balance amounts to 523 million.

Assuming an inflation free environment the total cash flow into the roads department, using the aforementioned assumptions, provides 497 million dollars, or a gap of only 26 million dollars after 12 years of road build out.

Please review these numbers and the spreadsheet for there accuracy.

Dan Marvin
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12 year Summary Recap

Description	Cost In dollars
Total cost to build out less savings	700,000,000
Arterial road costs and rehab expense	177,000,000
Funds need to build out road system	523,000,000
Net cash generated from bonds and other revenue	497,000,000
Gap	(26,000,000)

Road Build out projections

Years

Inflow	2003	2004	2005	2006	2007	2008	2009
		1	2	3	4	5	6
CASH BALANCE as of Sept 1, 2002							
(PB) Funds	24,000,000	500,000	500,000	500,000	500,000	500,000	500,000
(PC) Funds	500,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
(TMT) Funds	4,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
(RTSD) Funds	1,000,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
(SO) Funds	1,500,000	16,004,041	16,004,041	16,476,160	16,962,207	17,462,592	17,977,738
(WC) Funds	15,100,000	15,545,450	3,693,375	3,878,044	4,071,946	4,275,543	4,489,320
(WR) Funds	3,350,000	3,517,500	5,181,750	5,440,838	5,712,879	5,998,523	6,298,450
(IF) Funds	4,700,000	4,935,000					14,480,000
STATE 80% MATCH (Sun Valley Proj.)	-						
Gas Tax Revenue		2,000,000	2,030,000	2,060,450	2,091,357	2,122,727	2,154,568
OTHER (CO, BR)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
	31,150,000	33,997,950	34,909,166	35,855,491	36,838,389	37,859,385	53,400,076
Expense							
Arterial & Residential Rehabilitation							
Street Operations and Maintenance	5,900,000	6,029,800	6,162,456	6,298,030	6,436,586	6,578,191	6,722,911
	6,900,000	7,051,800	7,206,940	7,365,492	7,527,533	7,693,139	7,862,388
Total	12,800,000	13,081,600	13,369,395	13,663,522	13,964,119	14,271,330	14,585,299
Balance after rehab and maintenance	18,350,000	20,916,350	21,539,771	22,191,969	22,874,269	23,588,055	38,814,777
Funds not available for bonding	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Bonding capacity							
Available for debt service	10,350,000	12,916,350	13,539,771	14,191,969	14,874,269	15,588,055	30,814,777
Debt service funds available @ 1.50 debt service	6,900,345	8,611,331	9,026,965	9,461,786	9,916,675	10,392,557	20,544,212
Current Annual debt service	-	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	10,300,000
Additional available at debt service (@1.50 coverage)	6,900,345	1,611,331	2,026,965	2,461,786	2,916,675	3,392,557	10,244,212
Additional debt		90,000,000					40,000,000
Excess Cash after expenses and debt service	42,350,000	103,916,350	14,539,771	15,191,969	15,874,269	56,588,055	28,514,777
Cummulative Cash plus debt available	42,350,000	146,266,350	160,806,121	175,998,090	191,872,359	248,460,415	276,975,192

CATAGORY 5 ROADS

Road Build out projections

Years

Inflow	2010	2011	2012	2013	2014	2015
	7	8	9	10	11	12
CASH BALANCE as of Sept 1, 2002						
(PB) Funds	500,000	500,000	500,000	500,000	500,000	500,000
(PC) Funds	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
(TMT) Funds	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
(RTSD) Funds	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
(SO) Funds	18,508,082	19,054,070	19,616,165	20,194,842	20,790,590	21,403,912
(WC) Funds	4,713,786	4,949,476	5,196,950	5,456,797	5,729,637	6,016,119
(WR) Funds	6,613,372	6,944,041	7,291,243	7,655,805	8,038,595	8,440,525
(IF) Funds	4,445,000	4,445,000	4,445,000	4,445,000	4,445,000	4,445,000
STATE 80% MATCH (Sun Valley Proj.)	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Gas Tax Revenue	2,186,887	2,219,690	2,252,985	2,286,780	2,321,082	2,355,898
OTHER (CO. BR)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
	46,467,126	47,612,276	48,802,342	50,039,224	51,324,903	52,661,453
Expense						
Arterial & Residential Rehabilitation	6,870,815	7,021,973	7,176,457	7,334,339	7,495,694	7,660,600
Street Operations and Maintenance	8,035,360	8,212,138	8,392,805	8,577,447	8,766,151	8,959,006
Total	14,906,176	15,234,112	15,569,262	15,911,786	16,261,845	16,619,606
Balance after rehab and maintenance	31,560,951	32,378,164	33,233,080	34,127,438	35,063,058	36,041,848
Funds not available for bonding	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Bonding capacity						
Available for debt service	23,560,951	24,378,164	25,233,080	26,127,438	27,063,058	28,041,848
Debt service funds available @ 1.50 debt service	15,708,086	16,252,922	16,822,895	17,419,163	18,042,941	18,695,500
Current Annual debt service	10,300,000	15,700,000	15,700,000	15,700,000	15,700,000	18,700,000
Additional available at debt service (@1.50 coverage)	5,408,086	552,922	1,122,895	1,719,163	2,342,941	(4,500)
Additional debt	70,000,000					40,000,000
Excess Cash after expenses and debt service	91,260,951	16,678,164	17,533,080	18,427,438	19,363,058	57,341,848
Cummulative Cash plus debt available	368,236,142	384,914,307	402,447,387	420,874,824	440,237,882	497,579,730

CATAGORY 5 ROADS

Table A

CATEGORY 5

CITY'S TOTAL ROADWAY NETWORK USES AND SOURCES
1ST & 2ND 6 YEAR PERIOD and 12 Year Total
 (NO INFLATION)

USES

Activity Elements	2004-2009	2010-2015	2004-2015
Project Costs			
Antelope Valley Projects	\$65,760,000	\$72,650,000	\$138,410,000
South Beltway Project	\$24,120,000	\$0	\$24,120,000
East Beltway Project	\$0	\$1,221,000	\$1,221,000
Street Operations and Maintenance	\$44,379,000	\$50,569,000	\$94,948,000
Arterial and Residential Rehabilitation	\$38,039,000	\$43,345,000	\$81,384,000
Committed Projects as of Sept 1, 2002	\$29,890,000	\$0	\$29,890,000
Remaining Baseline Projects	\$400,193,000	\$84,315,000	\$484,508,000
 Total (rounded to nearest thousands)	 \$602,381,000	 \$252,100,000	 \$854,481,000

Table B

SOURCES**(NO INFLATION)**

	1st 6 Years	2nd 6 Years	Total
	Period 1	Period 2	12 Year
Activity Elements	2004-2009	2010-2015	2004-2015
Funding Source			
CASH BALANCE as of Sept 1, 2002	\$24,000,000	\$0	\$24,000,000
(PB) Funds	\$3,000,000	\$3,000,000	\$6,000,000
(PC) Funds	\$24,000,000	\$24,000,000	\$48,000,000
(TMT) Funds	\$8,000,000	\$3,000,000	\$11,000,000
(RTSD) Funds	\$9,000,000	\$9,000,000	\$18,000,000
(SO) Funds	\$100,296,074	\$119,410,369	\$219,706,000
(WC) Funds	\$21,699,936	\$24,437,653	\$46,138,000
(WR) Funds	\$30,407,666	\$34,243,971	\$64,652,000
(IF) Funds	\$14,480,000	\$26,670,000	\$41,150,000
STATE 80% MATCH (Sun Valley Proj.)	\$0	\$12,000,000	\$12,000,000
OTHER (CO, BR)	\$6,000,000	\$6,000,000	\$12,000,000
Total (rounded to nearest thousands)	\$240,884,000	\$261,762,000	\$502,646,000

Table C

2003		2003	
<u>Inflow</u>			
(PB) Funds	500,000	<u>Expense</u>	
(PC) Funds	4,000,000	Arterial & Residential Rehabilitation	5,900,000
(TMT) Funds	1,000,000	Street Operations and Maintenance	6,900,000
(RTSD) Funds	1,500,000		
(SO) Funds	15,100,000	Total	12,800,000
(WC) Funds	3,350,000		
(WR) Funds	4,700,000	Balance after rehab and maintenance	18,350,000
(IF) Funds		Funds not available for bonding	8,000,000
STATE 80% MATCH (
Sun Valley Proj.)	-		
Gas Tax Revenue			
OTHER (CO, BR)	1,000,000	<u>Bonding capacity</u>	
Total inflow	31,150,000	Available for debt service	10,350,000